



# Defense Finance and Accounting Service Annuitant Pay Newsletter

July 2003

## The COE Process

Certificates of Eligibility (COE's) are automatically generated and sent to annuitants approximately 90 days prior to their birthday each year. The COE should be completed by the annuitant and returned via mail or fax before the annuitant's birthday to avoid any interruption in pay. If a legal representative such as a power of attorney has been added to an annuitant's account that individual should complete and sign the form, marking the legal representative portion as requested.

Upon return of the COE, DFAS will process the document according to the information provided and will either continue, adjust or terminate the annuitant's pay as appropriate. A marriage certificate is required when the "I married in the past year. . ." box is marked to update the annuitant's account properly. An annuitant should include his or her name and Social Security Number, the name and Social Security Number of his or her deceased sponsor and the signature date. Forms can be mailed to DFAS, US Military Annuitant Pay, PO Box 7131, London, KY 40742-7131 or can be faxed to 1-800-982-8459.

## Tax Change Information

The Federal Income Tax Withholding (FITW) rate for some annuitants has changed with the implementation of the Jobs and Growth Tax Relief Reconciliation Act of 2003. Affected annuitants will notice that their Aug. 1, 2003 payments reflect lower tax rates.

Revised Annuitant Account Statements will be sent to confirm the changes. In addition to the implementation of these new rates, the tax rate for withholding on one-time annuitant pay payments has been changed from 27% to 25%. To adjust your FITW, please fax or mail a W-4P form to toll-free (800) 982-8459 or mail it to the Defense Finance and Accounting Service, US Military Annuitant Pay, PO Box 7131, London, KY 40732-7131. Or you can link to the myPay system online at <https://mypay.dfas.mil> or call toll-free (877) 363-3677. Please indicate your marital status, exemptions and additional withholding amount (if applicable) on the W-4P form. W-4P forms are available at <http://www.irs.gov>. IRS regulations require that a valid W-4P form be filed for any FITW changes (excluding those submitted via the myPay system above).

## Updating Address Information

To ensure proper receipt of tax documents, annuitant account statements and the latest SBP informational releases, it is important that you keep DFAS apprised of your current mailing address. Address changes can be made by telephone (1-800-321-1080), by fax (1-800-469-6559), by email (accessible at [www.dfas.mil](http://www.dfas.mil)) or by mail Defense Finance and Accounting Service, US Military Annuitant Pay, PO Box 7131, London, KY 40742-7131. When you change your address with DFAS, it also updates the same with your service component. This ensures delivery of your service component publication.

1. myPay offers convenient and secure access to your pay information
2. myPay is available via the Internet 24 hours a day, 7 days a week
3. myPay delivers your Annuitant Account Statement before print mail
4. Changes made on myPay are effective the current pay period
5. With myPay, you have the confidence in knowing your pay information is accurate because you're in charge
6. Access mypay at <https://mypay.dfas.mil>

## myPay Features:

1. View and print Annuitant Account Statement
2. View and print tax statements (1099/1042)
3. Change federal tax withholding
4. Update bank account and EFT information
5. Edit personal and address information

To use myPay, you must have a Personal Identification Number (PIN). If you do not have a PIN, you may obtain one by accessing myPay and clicking on "NEW PIN" or by calling 1-877-363-3677, and follow the prompts. A new random temporary PIN for your account will be mailed to your address of record. Please allow 10 business days for delivery.

### **Social Security Offset**

Offsets have been a key provision of the Survivor Benefit Plan (SBP) since its inception in 1972. Since the U.S. government pays benefits received in excess of the cost to the member, Congress decided that the annuitant could not receive the full entitlement for both Social Security benefits (for the purposes of this article, assume eligibility occurs at age 62). There are two methods used to calculate the amount of offset – the Social Security Offset (SSO) method and the Two-Tier method:

If the retiree was first eligible to retire on or after Oct. 1, 1985, the offset is calculated using the Two-Tier Method. This means that the annuitant would receive 55 percent of the annuity base amount until age 62, at which time it would be reduced to 35 percent of the annuity base amount.

If the retiree was first eligible to retire before Oct. 1, 1985, the offset is calculated using the SSO method. The amount of offset is determined by the length of time and amount of money the retiree contributed to Social Security from his/her active duty pay. Social Security began to be deducted from military pay on January 1, 1957; therefore, if a member retired in 1958, his spouse's SBP would only be offset by a small amount, as he would have contributed to Social Security for only a short while.

The SBP payments made to the annuitants who are entitled to benefits based on the member's Social Security account by law must be offset even though the annuitant may not be receiving those benefits. There are certain circumstances under which a Social Security Offset can be eliminated or reduced. All require verification by the Social Security Administration (SSA). DFAS Form 2203 must be completed by the SSA and submitted by the annuitant. Some of the reasons an offset can be eliminated or reduced are: member did not have active duty earnings, member drew non-disability SS benefits early, annuitant is working and is under age 65, annuitant is entitled to a government pension and the annuitant is a non-resident of the United States. You can learn more about SBP at <http://www.dfas.mil>.

### **Contacting Annuitant Pay**

When calling Annuity Pay Contact Center customers should have pencil and paper handy to write down information provided by the customer service representative. Customers should be prepared to provide their Social Security number or spouse's Social Security number in the case of Annuitants. To contact Annuity Pay Operations call 1-800-321-1080. Our business hours are 7 a.m. to 7:30 p.m. Eastern Time Monday through Friday. Mondays and pay-days (first business day of the month) are typically the busiest days of the week and month. Annuitants can also email Annuity Pay questions by going to [www.dfas.mil](http://www.dfas.mil)

### **Stay Informed**

We have taken this opportunity to update you on the recent changes to your Annuity Pay account. For additional reference, please continue to refer to the service newsletters and the publications prepared by various retirement organizations for legislative or policy updates. Up to date information is always available at <http://www.dfas.mil>.

### **Dependency and Indemnity Compensation**

Dependency and Indemnity Compensation (DIC) is a benefit payable by the Department of Veteran's Affairs (VA) for service-connected deaths. DIC benefits are non-taxable. Annuity benefits paid to beneficiaries of deceased military retirees through the Survivor Benefit Plan (SBP) must be offset by any DIC awarded from VA.

When an SBP annuity is established for a spouse beneficiary a notice goes to the Regional Office of the VA (known as VARO) closest to the deceased retiree's address. The notice requests the VA to notify DFAS when DIC benefits are awarded. The SBP is reduced by the amount of the DIC as of the date on which the DIC payment begins.

The DIC offset equals the actual DIC payment the spouse receives and it increases each time DIC rates increase. When an SBP annuity is reduced due to DIC entitlement, a refund of SBP premiums paid by the deceased retiree is made based on the difference between the premium actually paid and the premium that would have been required to provide the annuity payable after the DIC reduction. The refund of premium is computed using the SBP annuity of 55 or 35 percent whichever is applicable on the effective date of the DIC award. If the DIC entitlement is greater than the SBP annuity, all premiums paid by the deceased retiree for the SBP annuity are fully refunded. The refund of the SBP costs is reduced by any overpayment of the SBP annuity prior to the notification from the VA that DIC benefits are payable. The SBP annuity may be reinstated if the annuitant loses entitlement to DIC and repays the originally refunded SBP cost refund either in a lump sum payment or by monthly installments deducted from the SBP annuity.